

# ROLE OF THE FINANCIAL FACTOR IN THE SETTLEMENT OF THE TRANSNISTRIAN CONFLICT

*The purpose of the study: to analyze the financial aspect of the conflict in the Eastern region of the Republic of Moldova (Transnistria) and to work out proposals for the post-conflict rehabilitation.*

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## I. Brief description of the monetary systems of the Republic of Moldova and Transnistria

The national monetary and financial system represents an institutional and legal framework of the organization and regulation of social-economic relations established in the process of circulation, evaluation, accumulation and distribution of currency and means of payment in the national economy.

### 1.1 Financial and monetary system of Transnistria

NR.	Elements of the monetary and financial system of Transnistria
1	<b>Transnistrian currency</b> - Transnistrian ruble (1994)
2	<b>Convertibility of regional currency</b> - partially convertible;
3	<b>Parity of the regional currency</b> - is established through rules and regulations; - an official exchange rate of the Transnistrian ruble is established by the TRB at the fixing sessions of the Interbank Stock Exchange and is valid until the next session;
4	<b>Exchange rate regime of the regional currency</b> partially floating, according to demand and supply at the Interbank Stock Exchange; controlled by the Central bank (currency corridor); the official exchange rate is used both for the operations reflected in the current account of the Balance of Payments (export-import of goods, services, revenues, unilateral transfers) and for financial operations and capital transactions.
5	<b>Existence or absence of restrictions on the foreign exchange, foreign exchange control</b> There are restrictions for taking off foreign exchange: <b>For residents:</b> <ul style="list-style-type: none"><li>• For taking off foreign exchange from the region:<ul style="list-style-type: none"><li>- it is allowed to take off without special permission an equivalent of 1000 USD;</li><li>- an equivalent of 1000 USD – 5000 USD in freely convertible foreign exchange (CFE) with the permission of the Transnistrian Republican Bank (TRB) or of commercial banks;</li><li>- an equivalent of 5000 USD and over with the permission of the TRB;</li></ul></li></ul> sums of money that exceed the equivalent of 50000 USD are sent through money transfers; - bringing foreign exchange in the region is not limited, customs declarations are filled in. <b>For non-residents:</b> <ul style="list-style-type: none"><li>• For taking off foreign exchange:<ul style="list-style-type: none"><li>- a non-resident has the right to take off foreign exchange in the amount of foreign exchange declared at the entrance, by presenting the relevant declaration;</li><li>- sums of money that exceed the equivalent of 50000 USD (or the equivalent in CFE) are taking off through money transfers.</li></ul></li></ul> Russian ruble, Lithuanian litas, Latvian lats are also considered CFE.
6	<b>Regulation of the region's international liquidity</b> <ul style="list-style-type: none"><li>• Official foreign exchange reserves – the TRB has rather small foreign exchange reserves (from 1999 on), the level of coverage of the imports by official foreign exchange reserves is for a couple of days to the utmost. International and the IMF standards for this index are 3.5 months. There are periods when there is almost a complete absence of any official reserves. Reserve</li></ul>

	position in the IMF – none. <ul style="list-style-type: none"> <li>• SDR accounts – none.</li> <li>• EURO accounts – There are EURO accounts of the commercial banks and business operators with considerable assets. The TRB has accounts in EURO but practically has no essential assets on these accounts.</li> </ul>
7	<b>Regulation of the use of international credits</b> - international practice is taken into account; - local rules and regulations.
8	<b>Regulation of the region's international payments</b> - local rules and regulations; - international practice is taken into account
9	<b>Regional foreign exchange and gold markets regulation</b> There is no gold market
10	<b>Region's currency relations administration and regulation institutions</b> Transnistrian Republican Bank

## 1.2 Monetary and finance system of the Republic Moldova

NR.	Elements of the monetary and financial system of the Republic of Moldova
1	<b>National currency</b> - Moldovan lei.
2	<b>Convertibility of national currency</b> - partially convertible; - Article VIII of the International Monetary Fund Statute has been signed .
3	<b>Parity of national currency</b> - is established through rules and regulations; - the official exchange rate of the Moldovan lei is established by the NBM through a daily evaluation of the balanced average of the currency exchange rates set up by commercial banks through transactions on the interbank currency market, taking into account the volume of transactions.
4	<b>Exchange rate regime of the national currency</b> - floating, according to demand and supply on the currency market, freely convertible only for the operations reflected in the current account of the Balance of Payments; for financial operations and capital transactions the official currency exchange rate is used.
5	<b>Existence or absence of foreign exchange restrictions, foreign exchange control</b> There are foreign exchange restrictions for taking off foreign exchange: <b>For residents:</b> <ul style="list-style-type: none"> <li>• At taking off foreign exchange:</li> <li>- it is allowed to take off without a special permission an equivalent of 5000 USD;</li> <li>- an equivalent of over 5000 USD with the permission of an authorized bank or the NBM;</li> <li>- sums of money that exceed the equivalent of 50000 USD sent through the money transfers;</li> <li>- bringing foreign exchange in is not limited, customs declarations are filled in.</li> </ul> <b>For non-residents:</b> <ul style="list-style-type: none"> <li>• For taking off foreign exchange:</li> <li>- it is allowed to take off foreign exchange equivalent to 5000 USD;</li> </ul>

	<ul style="list-style-type: none"> <li>- additionally a non-resident can take off foreign exchange with the permission of an authorized bank or the NBM, in cases specified by the national legislation and regulations of the NBM;</li> <li>- sums of money that exceed the equivalent of 50000 USD are taking off through the money transfers;</li> </ul> bringing foreign exchange in is not limited, customs declarations are filled in.
6	<b>Regulation of the international liquidity of the country</b> <ul style="list-style-type: none"> <li>• Official foreign exchange reserves – 232 million USD (01.01.2001);</li> <li>• Reserve position in the IMF - yes;</li> <li>• Accounts in SDR – yes;</li> <li>• Accounts in EURO - yes (about 33% of the foreign exchange reserves).</li> </ul>
7	<b>Regulation of the use of international credits</b> <ul style="list-style-type: none"> <li>- local and international normative acts.</li> </ul>
8	<b>Regulation of the country's international payments</b> <ul style="list-style-type: none"> <li>- Uniform Customs and Practice of the International Chamber of Commerce are being followed.</li> </ul>
9	<b>National foreign exchange and gold markets regulation</b> <ul style="list-style-type: none"> <li>- according to supply and demand</li> <li>- regulated by the NBM</li> <li>- the IMF recommendations are taken into account</li> <li>- there is no national gold market</li> </ul>
10	<b>National foreign exchange and financial relations administration and regulation institutions</b> <ul style="list-style-type: none"> <li>- National Bank of Moldova;</li> <li>- Ministry of Finance;</li> <li>- Ministry of Economy and Reforms.</li> </ul>

### 1.3 Banking system of Transnistria

The banking system of Transnistria includes two state banks and 9 commercial banks.

1. Transnistrian Republican Bank (TRB)
2. “Сбербанк” State Bank Joint-Stock Company;
3. “Электронный Региональный Банк Ламинат” Bank Joint-Stock Company;
4. “Ипотечный” Bank Joint-Stock Company;
5. “Бендерыиндконбанк” Industry and Constructions Bank Joint-Stock Company;
6. “Бендерсоцбанк” Social Development Bank Joint-Stock Company;
7. “Промстройбанк” Bank Joint-Stock Company, City of Rîbnița;
8. “Газпромбанк” Bank Joint-Stock Company;
9. “Тираспромстройбанк” Bank Joint-Stock Company;
10. “Тиротекс” Bank Joint-Stock Company;
11. “Агропромбанк” Regional Transnistrian Bank Joint-Stock Company, City of Tiraspol.

### 1.4 Branches of local commercial banks situated in Transnistria. Correspondent accounts.

“Victoriabank” has a branch in Transnistria.

A bank from the Republic of Moldova has correspondent accounts in all Transnistrian commercial banks. Other Moldovan banks have correspondent accounts only in some Transnistrian banks or do not have such accounts at all.

Transnistrian commercial banks have correspondent accounts in some Russian commercial banks. Transactions with Aerobank and Rusislavbank stand out. The Novicombank Bank intends to open a branch in Transnistria (see annex 1).

## **II. Transnistria's foreign exchange and financial relations**

### **2.1 Transnistrian official foreign exchange and financial flows**

Foreign economic relations of Transnistria reflect the structure, international specialization and economic demand of Transnistria. Small capacity of domestic market determines a high dependence of the economy on foreign economic relations. In the framework of these relations the Transnistrian economy has an open character, stimulating foreign economic operations.

Saturation of the economy with domestic products can be ensured only for several basic food products and a very limited number of manufactured goods. Transnistria is 70 – 80 per cent dependant on imports, which in their turn are determined by export capacities.

Insignificant absolute values of macroeconomic indices, inclusively the GDP, domestic market absorption, foreign trade capacities, etc. rule out a possibility to influence the foreign economic environment. The Transnistrian economic strategy has an adaptive character. Aggressive strategies of marketing, of interests promotion are applied to a very small number of products on very small segments of international or regional markets. These are: competitive goods such as metal, alcoholic products, textiles; specialized industries of the former Soviet area that kept their market segments, now the CIS; or Transnistrian surplus products that are in great demand in the region (in the Republic of Moldova), such as electric power.

The Transnistrian foreign economic relations potential, structure and geographical diversity are substantially influenced by the following factors:

Lack of raw materials; existence of a significant agricultural and industrial potential for the Transnistrian export; absence of a political-legal status and a military-strategic location of Transnistria; endowment of the economy with labor force (inclusively highly skilled); deep integration of the Transnistrian economy into the CIS one; internal financial situation in the economic partner-countries; the customs regime with the CIS and other countries, with which it has economic relations.

Transnistrian economic situation can be characterized through an analysis of the foreign trade balance (FTB) of Transnistria. It has to be mentioned that figures of the foreign trade balance are not complete, both for import and export. For some groups of products the volume of unregistered import and export is almost equal to the volume of the official figures.

From the official data it appears that the FTB is characterized by a significant disproportion determined, first of all, by foreign trade deficit (deficit of trade balance), lack of official foreign exchange reserves and insignificant direct and portfolio foreign investments into the Transnistrian economy.

In 1999 the negative balance of payments of the FTB current account reached 181.80 million USD (out of which 158.50 million USD went to the deficit of trade balance), in 1998 it was 252.50 million USD. In 1999 the deficit of the current account to the GDP was 64.70% (in 1998 – 76.80%), while the advisable one being recommended at 5%. From the geographical point of view there was a deficit in the relations both with the CIS countries and the rest of the world.

The most important part of the current account is the trade balance. In this regard the situation has improved, the deficit of the balance shrank from 248.2 million USD in 1998 to 158.50

million USD in 1999. Yet, this reduction is due not to some qualitative but rather to quantitative changes in the economy. Thus, the import shrank from 587.30 million USD to 416.50 million USD (declined by 29.08%) and simultaneously the export lessened from 339.10 million USD to 258.00 million USD (declined by 23.92%). Therefore, the economy demand was reduced and at the same time, the export potential was reduced. This situation practically did not change the index of coverage of import by export. In 1999 this index was 61.9% comparing to 57.7% in 1998, the situation continuing to be alarming both for the economy in general and public finance in particular. Official statistics confirms worsening of export capacities and of import possibilities.

An alarming deficit of foreign trade is due to a crisis in the agricultural field, a fact that determines a significant import of food products (22.30% of imports) and raw materials (2.1%) for the processing industry.

**Table 1. Structure of Transnistrian export and import of goods by groups of products in 1999.**

1999 Groups of products	Total				Inclusively			
					CIS		Rest of the world	
	Export		Import		Export	Import	Export	Import
	mil. USD	%	mil. USD	%	mil. USD	mil. USD	mil. USD	mil. USD
Total	258,016.40	100.00%	416,535.50	100.00%	91,318.80	240,796.90	166,697.60	175,738.60
Inclusively:								
Ferrous metals	134,371.50	52.08%	59,303.10	14.24%	4,296.40	56,142.70	130,075.10	3,160.40
Non-ferrous metals	7,933.70	3.07%	7,768.00	1.86%	7,024.00	2,869.20	909.70	4,898.80
Oil products	3,087.80	1.20%	104,371.40	25.06%	1,894.70	98,063.10	1,193.10	6,308.30
Electric power	10,877.60	4.22%	0.00	0.00%	10,877.60	0.00	0.00	0.00
Chemical products	2,946.20	1.14%	29,224.00	7.02%	2,777.10	10,938.40	169.10	18,285.60
Food products	22,071.50	8.55%	92,784.50	22.28%	21,271.50	7,898.40	800.00	8,486.10
Building materials	10,403.50	4.03%	7,562.40	1.82%	3,444.00	4,393.20	6,959.50	3,169.20
Machines and equipment	23,244.30	9.01%	54,941.00	13.19%	22,168.00	21,531.50	1,076.30	33,409.50
Textiles	34,712.70	13.45%	26,541.20	6.37%	13,674.00	17,122.10	21,038.70	9,419.10
Animal and vegetable products	5,391.40	2.09%	7,849.10	1.88%	1,806.20	6,398.60	3,585.20	1,450.50
Other groups of products	2,976.20	1.15%	26,190.80	6.29%	2,085.30	15,439.70	890.90	87,151.10

**Table 2. Geographical structure of Transnistrian export and import of goods in 1999.**

1999	Export		Import		Trade balance
Region, country	mil. USD	%	mil. USD	%	mil. USD
Foreign trade	258.00	100.00%	416.60	100.00%	-158.60
CIS	91.30	35.39%	240.80	57.80%	-149.50
Inclusively:					
Russia	47.30	18.33%	119.10	28.59%	-71.80
Moldova	33.30	12.91%	60.10	14.43%	-26.80
Ukraine	5.10	1.98%	43.80	10.51%	-38.70
Belarus	5.20	2.02%	7.60	1.82%	-2.40
Rest of the world	166.70	64.61%	175.80	42.20%	-9.10
Inclusively:					
USA	69.80	27.05%	18.10	4.34%	51.70
Germany	4.90	1.90%	51.70	12.41%	-46.80
Italy	10.40	4.03%	9.40	2.26%	1.00
Romania	5.80	2.25%	10.30	2.47%	-4.50
Switzerland	0.00	0.00%	9.90	2.38%	-9.90
Cyprus	3.00	1.16%	8.90	2.14%	-5.90
Poland	1.30	1.16%	7.10	1.70%	-5.80
Hungary	4.90	1.90%	4.10	0.98%	0.80

## **2.2 Evaluation of foreign exchange and financial flows of Transnistria coming out from illicit economic activities**

Below we will analyze complete data of banking activities of some commercial banks of the Republic of Moldova. These data do not reflect the whole national bank system. The analyzed data and those shown in charts 1-6 represent money inputs (receipts) and money outputs (payments) of the Transnistrian business operators performed through certain commercial banks of the Republic of Moldova.

Commercial banks and the Transnistrian Republican Bank have correspondent accounts opened in some commercial banks of the Republic of Moldova, Russia and other states. This cooperation allows Transnistrian banks to carry out financial operations with almost all banks of the world, inclusively the European, the CIS and the US ones. In 2000 through Moldovan commercial banks Transnistrian commercial banks registered foreign financial flows inputs (receipts) in the amount of 20.7 million USD. Outputs of financial flows of Transnistrian commercial banks from the accounts in commercial banks of the Republic of Moldova amounted to 146 million USD.

Out of which:

- Operations of replenishment of Transnistrian business operators' accounts. Inputs to the accounts in amount the of 9.378 million USD ("Nostro" accounts) and outputs from the accounts in amount the of 133.375 mil. USD (chart 1). Financial outputs from Transnistrian business operators' accounts (in some commercial banks of the Republic of Moldova) in absolute volume are intermediate transactions;

- Commercial operations with goods and services amounted to 5.4 million USD for the export from Transnistria and 2.6 million USD for the import; sums of money for these transactions are not of an illicit nature;
- Currency exchange operations contributed to an outflow of 5.4 million USD from Moldova to Transnistrian commercial banks;
- The TRB operations transfers abroad in the amount of 9.6 million USD and inputs of 0.25 million USD (chart 3);
- Reimbursement of credits 0.32 mil. USD and new credits worth of 0.25 million USD.

During the fourth quarter there are made constant transfers of funds from Transnistria totaling 133.08 million USD (see chart 1). They are not of an economic nature. They are known to come from the Russian Aerobank and are transferred through the Transnistrian Agroprombank, through a commercial bank from Moldova to the account of Aerobank in Yugoslavia. The scheme of these operation is the following: the Aerobank has correspondent accounts in the Transnistrian Agroprombank – the Aerobank has a Nostro account in a Transnistrian bank. For the Transnistrian bank this is a Loro account. And the other way round: the Agroprombank has a Nostro account in the Aerobank. In the Aerobank this is a Loro account.

**First stage.** The Aerobank has financial resources in the Agroprombank from Tiraspol. The first part of these resources has reached the Transnistrian bank (in favor of the Aerobank) in one (or both) of the following ways:

- The Aerobank transferred financial resources through a third bank that had correspondent accounts in the Transnistrian bank in favor of the Aerobank;
- One or more business operators that perform on the Transnistrian territory have transferred cash money to the Aerobank account through the Transnistrian bank cash department, or by money transfer if business operators have accounts in the same bank in Tiraspol where the Aerobank has its accounts.

The rest of financial resources are transferred after correspondent accounts have been opened in both banks.

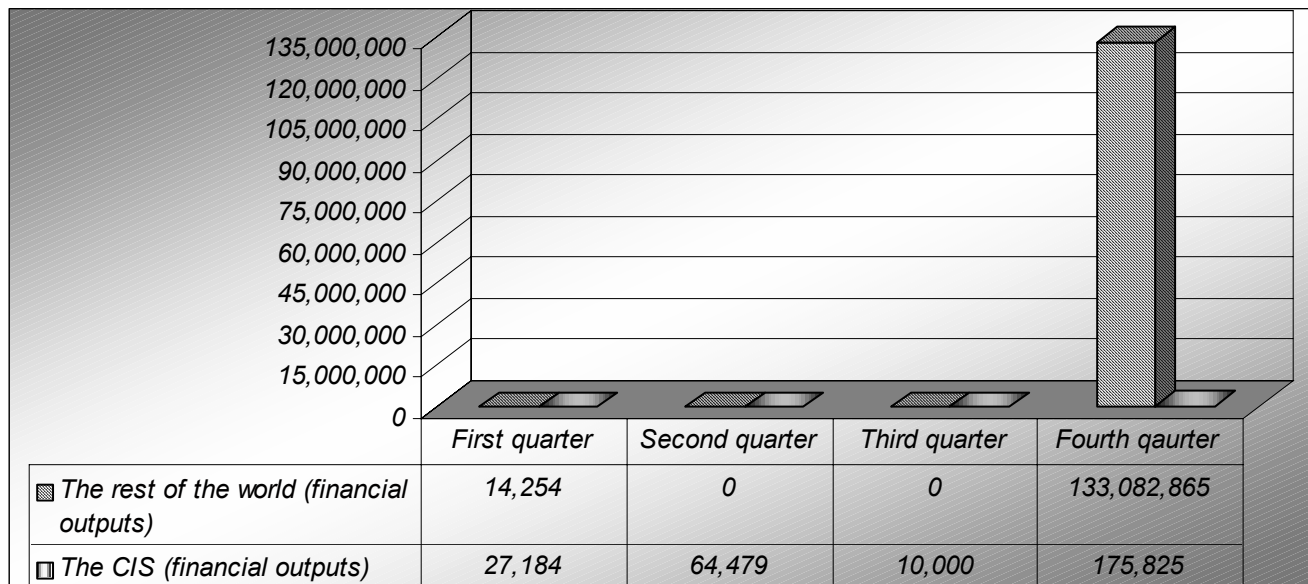
**Second stage.** The Aerobank instructs (by fax, telex etc.) the Agroprombank bank from Tiraspol to transfer resources to a certain bank in Yugoslavia in favor of the Aerobank bank (or somebody else).

**Third stage.** The Agroprombank bank in Transnistria has correspondent accounts in a commercial bank in the Republic of Moldova, which in its turn has correspondent accounts in a bank in Yugoslavia. The Agroprombank transfers financial resources to its account from the commercial bank in Moldova in favor of the Aerobank, informing about it the Moldovan bank.

**Fourth stage** The Moldovan commercial bank has correspondent accounts in a bank in Yugoslavia. The Moldovan commercial bank transfers a certain amount from the Transnistrian Agroprombank accounts to the current account in the Yugoslavian bank. In our case it was asked by fax that the incoming amounts arriving to the Agroprombank account in Moldova are being automatically transferred to the Yugoslavian bank.



**Chart 1<sup>A</sup>.** Account replenishments. Financial outputs from Transnistrian business operators' accounts opened in some commercial banks of the Republic of Moldova (USD).



This transaction coincides with certain economic infringement disclosures in Russia.

On 30 September 2000, employees of the General Department for combating economic crimes of the Ministry of Home Affairs of Russia (Главное Управление по Борьбе с Экономическими Преступлениями МВД России) declared that they had revealed an Aerobank bank swindle (see annex 2), and that there had been searched all 15 branches of this bank. As a result of these actions there was prevented a damage to the state in the amount of 260 million rubles and one million USD without any documents that would confirm the legitimacy of this money was discovered at smallest branch of this bank in Moscow. The damages to the state were to be assessed during investigation procedures.

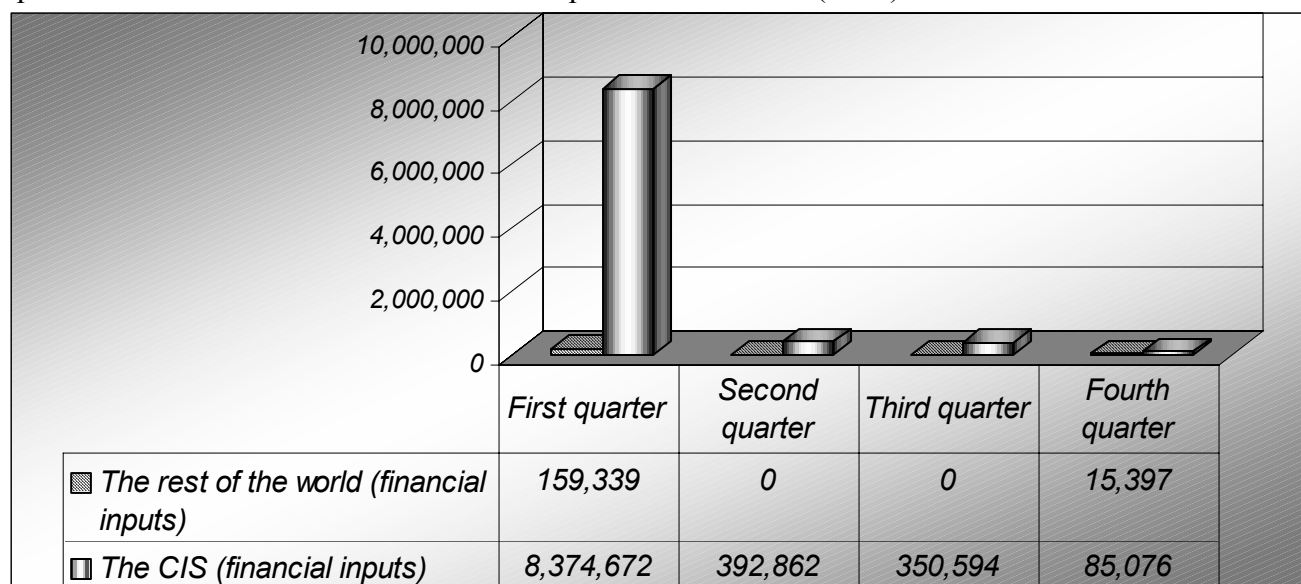
Taking into consideration the above mentioned we believe that those 133.08 million USD could be money laundering from Russia to Yugoslavia fulfilled through a Transnistrian and a Moldovan bank. In chart 2 the first quarter stands out during which financial inputs onto certain Transnistrian commercial banks accounts (opened certain commercial banks from the Republic of Moldova) amounted to 8.375 million USD. These first quarter transactions have some characteristics of a legal commercial transactions' nature. Comparing chart 2 figures with chart 3 ones we can see that these financial inputs are from the Transnistrian Republican Bank accounts. We can assume that a sum of 8.495 million USD is financial resources of Transnistrian commercial banks temporarily placed under the TRB administration, which was returned to those banks in the

<sup>A</sup> Charts 1 – 6 are presented from the point of view of the foreign balance of payments methodology and reflect only transactions between residents and non residents of the Republic of Moldova, and do not reflect double registration from bank accounts (from bank accounting);

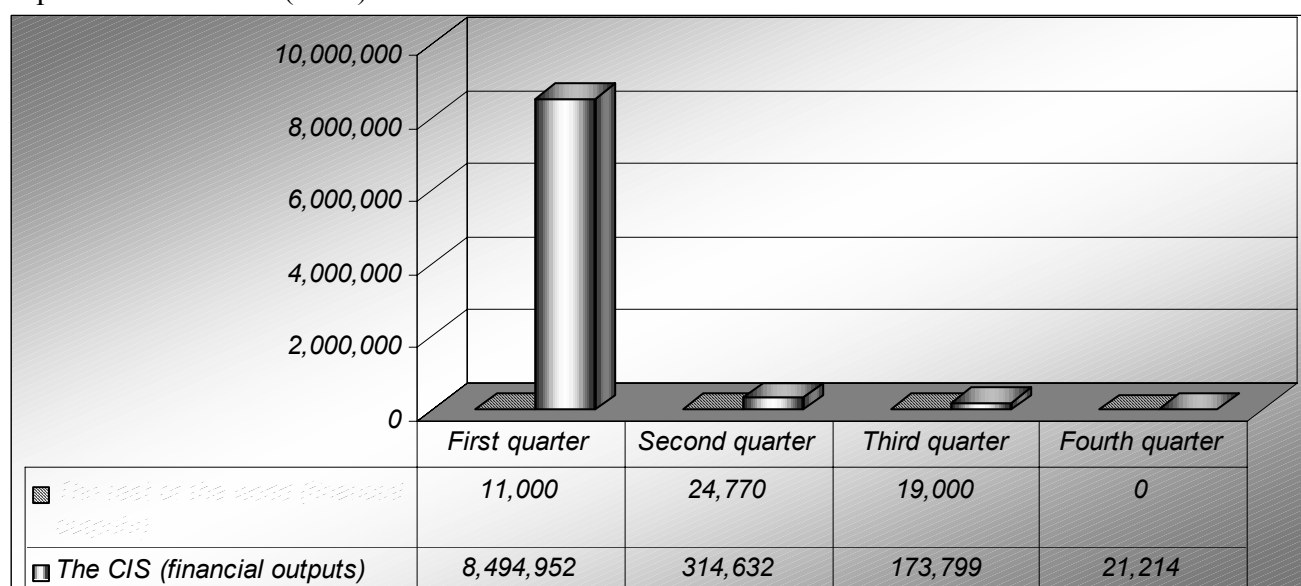
Financial inputs and outputs are reflected from the point of view of the foreign balance of payments methodology and reflect: Credits – financial inputs resulted from economic activities or other transactions; Debits – financial outputs from a country for the payment of imports, services and other transactions the country benefited from.

first quarter. Through these operations the TRB makes transactions that do not correspond to a central bank mandate.

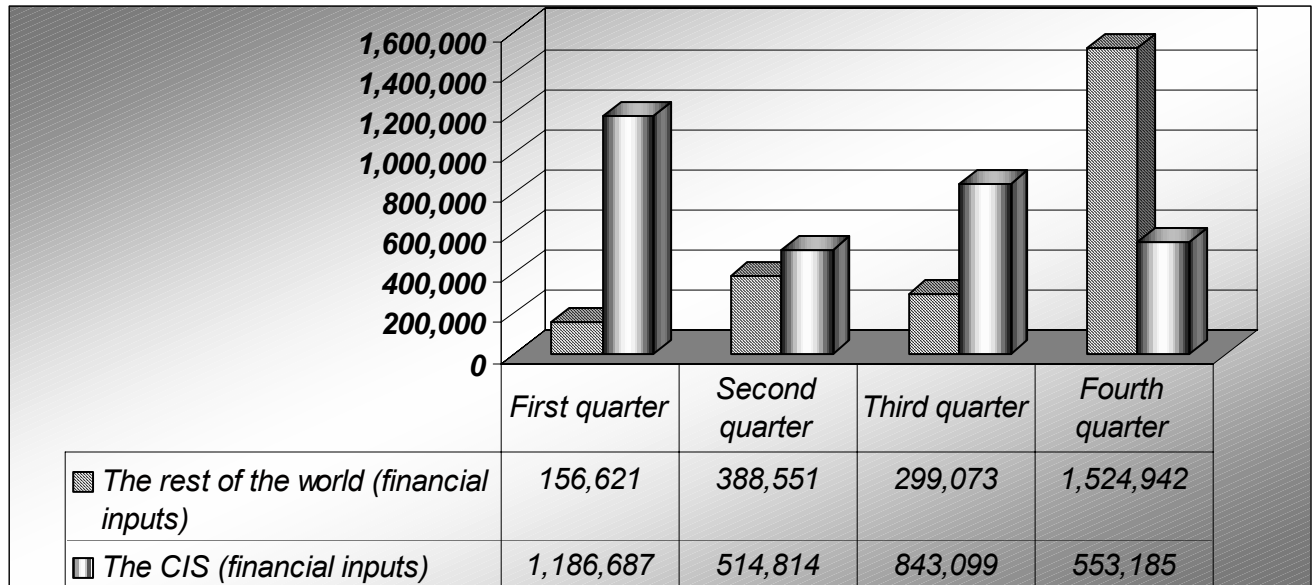
**Chart 2.** Account replenishments. Financial inputs to Transnistrian business operators' accounts opened in some commercial banks of the Republic of Moldova (USD).



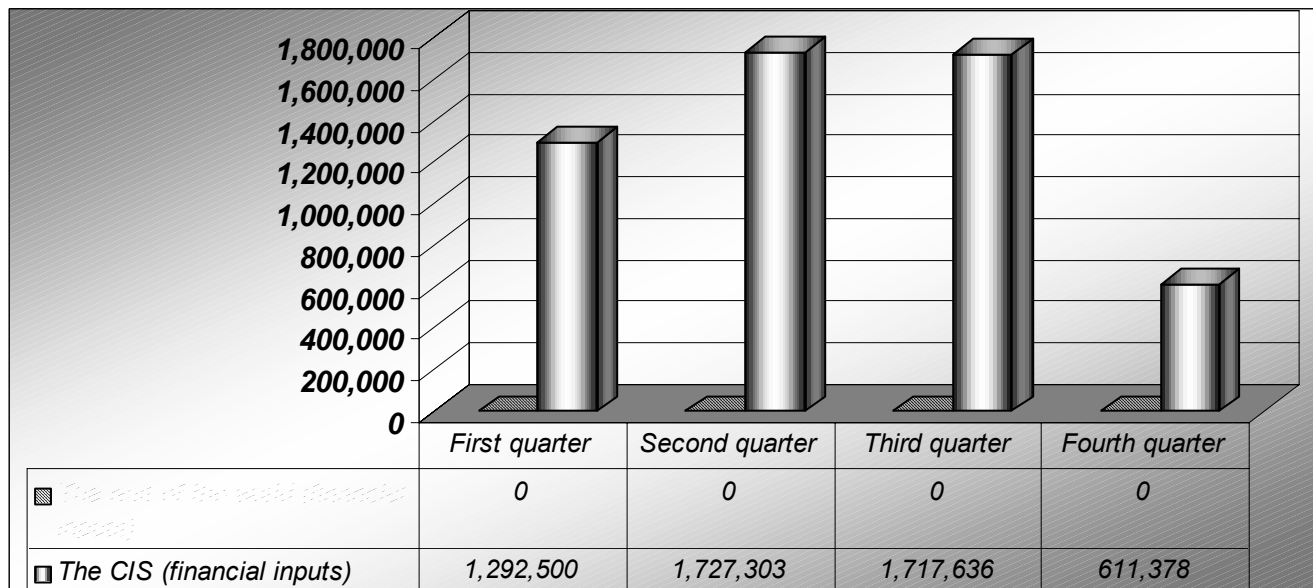
**Chart 3.** The Transnistrian Republican Bank operations intermediated by some banks from the Republic of Moldova (USD)



**Chart 4.** Inputs into Transnistrian business operators' accounts (in some commercial banks of the Republic of Moldova) from the export of goods and services (USD).

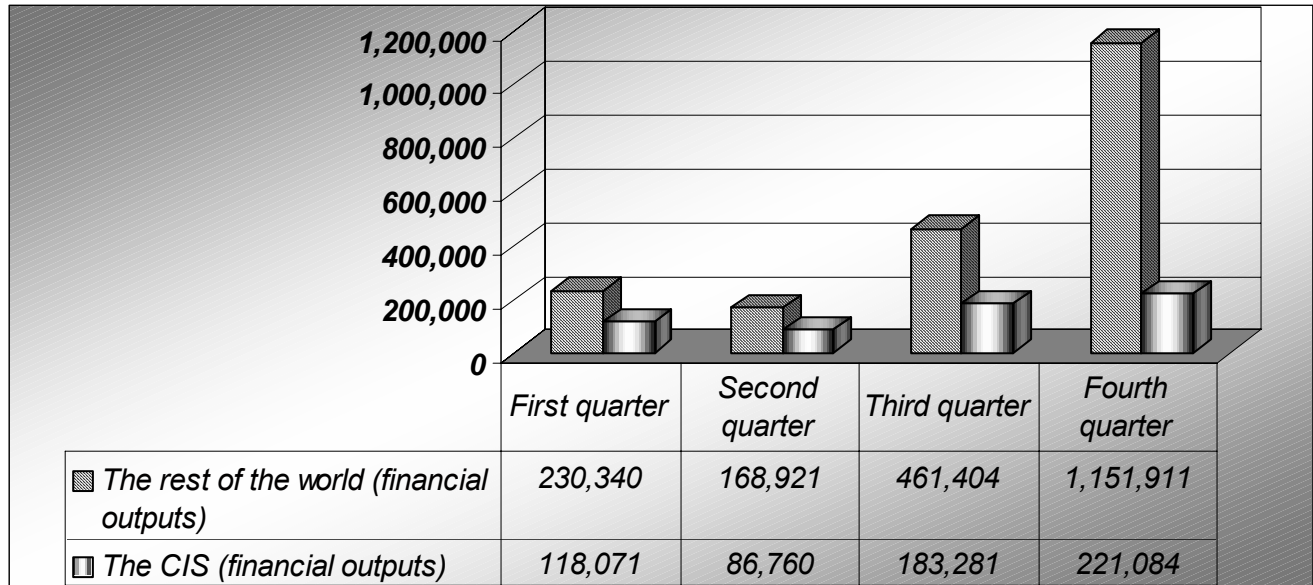


**Chart 5.** Foreign exchange on the exchange market of the Republic of Moldova operated by Transnistrian banks (for Transnistrian business operators) through some commercial banks from the Republic of Moldova (USD).



Annual receipts from the export of goods and services (5.467 million USD) are approximately equal to the annual revenues from foreign exchange transactions 5.349 million USD. We can assume that all receipts from the export of goods and services of the Transnistrian business operators intermediated by Moldovan banks are being exchanged on the national exchange market, especially by buying American dollars for Russian rubles.

**Chart 6.** Payments from Transnistrian business operators' accounts (in some commercial banks of the Republic of Moldova) for the import of goods and services (USD).



### III. The Republic of Moldova's economic and financial leverages to influence the economy of Transnistria

The Republic of Moldova can have economic and financial leverages on Transnistria only in the fields where Transnistria is dependent either economically or financially from the Republic of Moldova. The number of such possibilities is quite limited. These include the following:

1. Ban imposed by the NBM on commercial banks of Moldova to have correspondent accounts with the TRB or to operate transactions for the TRB. Thus, in the year 2000 the TRB transferred from Transnistria to the USA through a commercial bank from Moldova to its accounts and accounts of the Tiraspromstroibank bank 9.5 million USD. Financial inputs to Transnistria for the TRB for the same year were of only 250 thousand USD.
2. Prohibition of foreign exchange operations for the Transnistrian commercial banks performed by authorized banks from Moldova on the national exchange market, with the exception of convertible foreign exchange for Moldovan lei. These can destabilize the segment of the national exchange market on which the exchange of Russian rubles for American dollars is done by taking foreign exchange out of the country. Thus, in 2000 authorized banks from Moldova transferred on the Transnistrian commercial banks accounts 5.4 mil. USD from foreign exchange operations on the national exchange market.

Also there can be used a ban on foreign exchange operations on international exchange markets for the Transnistrian commercial banks in crisis situations.

3. There is no logic in authorizing Transnistria to perform international economic transactions with a view to strengthening of the Republic of Moldova's statehood. Through international economic relations Transnistria strengthen economically and financially. Without the contribution of the Republic of Moldova, the Transnistrian export will not exceed 35% of the current one (equivalent of 91 million USD in 1999 (the share of Western countries, the USA, etc.)) and its import will not exceed 58% of the current one. These figures represent an optimistic scenario for Transnistria. The withdrawal of the Moldovan customs stamp from Transnistria would create a severe crisis in its foreign economic relations, bringing about huge destabilization in the economy and the monetary-financial sector. The Transnistrian currency would be in a continuous depreciation, often unforeseeable, with hyperinflation consequences. A trust of business operators and individuals in the Transnistrian ruble would vanish in no time. Flows of foreign exchange in the region would essentially reduce. Foreign investments would stop, because investments would have no profit perspectives. This measure is the most efficient one in influencing the Transnistrian conduct.

#### **IV. Monetary-financial integration of Transnistria into the Republic of Moldova**

##### **4.1. Difficulties of monetary-financial integration**

###### **1) Problems of a legal nature:**

Discrepancies: in legal frameworks, inclusively with regard to a central bank; financial institutions; public finances policy (state budget); foreign exchange policy; monetary and credit policy; trade policy (customs duties);

###### **2) Problems of an economic nature:**

The general economic situation is similar, but for an economic integration there are some incompatibilities of macroeconomic indices, such as: state domestic debt; foreign debt related to the GDP; level of inflation; fixing of foreign exchange rate; volume of foreign exchange reserves (the state monetary supply depends on this volume); volume of state deficit; deficit of the foreign trade balance, inclusively trade balance; level of wages, salaries and pensions related to the purchasing power of the national currency (or related to the minimal consumer goods basket);

The TRB actively finances the state budget deficit (through emissions of money that is not covered with goods or foreign exchange reserves). In 1999 this activity was equivalent to 7.4 million USD, of which 2.5 million USD went to direct credits and an equivalent of 4.9 million USD from the revenues of the TRB (that is about 95% of the TRB annual revenues). In the last two years the TRB has not credited the deficit of the state budget. The Transnistrian state budget expenditures exceed the revenues, etc.

###### **3) Problems of a banking sector nature:**

- Requirements of the NBM towards the total regulatory capital of commercial banks from Moldova:

Level A license – total regulatory capital from 32 to 64 million Moldovan lei;

Level B license – total regulatory capital from 64 to 96 million Moldova lei;

Level C license – total regulatory capital over 96 million Moldovan lei

- The TRB requirement towards the total regulatory capital of commercial banks of Transnistria is at least the equivalent of one million American dollars.

###### **4) Economic interests in Transnistria:**

Gaining profits by some Russian, Moldovan, Ukrainian “investors” from the investments in Transnistria due to the current economic and political situation in Transnistria;  
“Transit” of goods through Transnistria from the East to the West and the other way round; Re-export of goods by Transnistria;

5) Financial interests in Transnistria:  
“Transit” of financial flows through the Transnistrian banking system from the East to the West and the other way round.

## Dictionary of economic terms

**Correspondent account** – in double entry accounting an account, which is debited to compensate a credit or vice versa.

It is opened between banks to intermediate economic-financial relations.

Bank **A** (Republic of Moldova) has its account in another bank **B** (from Transnistria) (called Nostro) and bank **B** has its account in bank **A** (called Loro (from the point of view of bank A)). A Transnistrian bank transfers its funds on its Nostro account from the same bank in Transnistria (through a money transfer) (The Nostro account is of a Moldovan bank); in a couple of minutes the Moldovan bank transfers the same amount on the Loro account in Moldova. Thus, Bank **B** is the owner of a certain amount of money in bank **A**.

**Balance of payments** is a macroeconomic statistical document that reflects in a systematized way the value of all national economy transactions with the rest of the world for a certain period of time (quarter, year), showing the natural (goods, services) and financial flows that took place during this period of time.

**Trade balance** is a part of the balance of payments and shows the difference between the value of the country’s exports and imports. There are also services balance, revenues balance, etc.

**Official international liquidity** (official foreign exchange assets, official international assets)<sup>B</sup> is assets, held by central monetary authorities, denominated in international means of payment: foreign exchange, securities, SDR, gold, reserve position in the IMF and used to equilibrate the balance of payments, support national currency, guarantee the country’s foreign solvency, payment of foreign debts and, in some extreme situations, for current payments to foreign partners.

**Exchange market** represents a part of the international monetary market and consists of short-term assets trade centers. These trade centers in assets are stock exchanges, banks, or exchange offices that gain profits from operations with foreign exchange and have links with the stock exchange.

**Exchange rate** represents the result of a correlation of a standard value of a currency, either national or international, and a standard value of another currency, with which it is compared in the framework of an exchange rate mechanism.<sup>C</sup>

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<sup>B</sup> BRAN Paul, Relații valutar-financiare internaționale, Publishing House. Didactică și Pedagogică, Bucharest 1990, p.72-73.

<sup>C</sup> BRAN Paul, Relații financiare și monetare internaționale, Publishing House. Economică, Bucharest 1995, p. 74.

**Purchasing power parity (real value exchange)** is the relative price for a bundle of goods produced in two countries.<sup>D</sup>

**SDR** – Special Drawing Rights – currency artificially created by the IMF (International Monetary Fund) in 1969. Serves as a standard currency (the value of a currency can be evaluated in DST – through a foreign exchange rate); a reserve instrument (assets in official currencies, stable comparing to many other currencies); means of payment for debiting certain operations between the Fund and its members. The value of SDR is calculated based on a basket of currencies, including the American dollar, pound sterling, Deutsche mark, French franc and Japanese yen. Each currency has its own weight calculated periodically based on certain economic indices.

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<sup>D</sup> Sidorovich A. V. coordonator, Курс экономической теории, Editura “DIS”, Moscova, 1997, p. 388.